

Person to Contact: [REDACTED]
 Telephone Number: [REDACTED]
 Refer Reply to:
 Internal Revenue Service
 [REDACTED]

Date: FEB 7 1989

Dear Applicant:

We have considered your application for recognition of exemption from Federal Income Tax under Section 501(c)(5) of the Internal Revenue Code.

The information submitted discloses that you were incorporated on [REDACTED] under the nonprofit laws of the State of [REDACTED].

You stated in your Articles of Incorporation that the purpose of your organization is to hold an annual sale in [REDACTED], [REDACTED].

The sole activity of your organization is to hold an annual sale of [REDACTED]. All your income is derived from the proceeds from this sale and sale entry fees. Your organization sells cattle which are owned by your members as well as the general public. These sales are done on a consignment basis.

You stated that, in [REDACTED], [REDACTED] dollars an animal was retained by your organization for expenses and the rest went to the owner of the animal. In addition, you stated that your organization "is just a selling agent".

Section 501(c)(5) of the Code provides for the exemption from Federal income tax of labor, agricultural, or horticultural organizations.

The Income Tax Regulations, Section 1.501(c)(5), describe organizations contemplated by Section 501(c)(5) of the Code as those organizations which have no net earnings inuring to the benefit of any member and have as their objects the betterment of the conditions of those engaged in such pursuits, the improvement of the grade of their products and the development of a higher degree of efficiency in their respective occupations.

Code	Initiator	Reviewer	Reviewer	Reviewer	Reviewer	Reviewer	Reviewer
	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Surname	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Date	2/1/89	2/1/89	2/1/89	2/2/89	2/2/89		

[REDACTED]

In Revenue Ruling 66-105, 1966-1 C.B. 145, exemption under Section 501(c)(5) was denied to an organization whose principal activity was marketing livestock as an agent for its members. The sale of members' products with the return to them of the sale proceeds, less expenses, is neither an object nor an activity within the ambit of the cited sections of the code and regulations.

You do not qualify for exempt status under Section 501(c)(5) because your primary activity is to act as a sales agent for your members. This activity is outside the scope of Section 501(c)(5).

If you do not agree with these conclusions, you may within 30 days from the date of this letter, file a brief of the facts, law and arguments (in duplicate) which clearly sets forth your position. In the event you desire an oral discussion of the issues, you should so indicate in your submission. A conference will be arranged in the Regional Office after you have submitted your brief to the Chicago District Office and we have had an opportunity to consider the brief and it appears that the conclusions reached are still unfavorable to you. Any submission must be signed by one of your principal officers. If the matter is to be handled by a representative, the Conference and Practice Requirements regarding the filing of a power of attorney and evidence of enrollment to practice must be met. We have enclosed Publication 892, Exempt Organization Appeal Procedures for Adverse Determinations, which explains in detail your rights and procedures.

If we do not hear from you within 30 days from the date of this letter this determination will become final.

You are required to file Federal Income Tax Returns.

Please keep this determination letter in your permanent records.

If you agree with this determination please sign and return the enclosed Form 6018.

Sincerely yours,

[REDACTED]

District Director

Enclosures:
Publication 892
Form 6018